

CITY OF MONROE, IOWA

Independent Auditors' Report
Basic Financial Statements and
Supplemental Information and Findings

June 30, 2010

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City of Monroe, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Duinink	Mayor	December 2011
David Pendroy	Mayor Pro Tem	December 2013
Brian Briles	Council Member	December 2011
Kathleen Van Veen	Council Member	December 2011
James Breckenridge	Council Member	December 2013
John Vriezelaar	Council Member	December 2013
Sandy Breckenridge	City Administrator	Indefinite
Kim Thomas	City Clerk	Indefinite
Caldwell, Caldwell & Caldwell	City Attorney	Annually

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES R. ZIRCHER, CPA
NEAL R. SMITH, CPA
DEBRA J. NABITY, CPA

5650 JOHNSTON DRIVE, SUITE A
P.O. BOX 1098
JOHNSTON, IOWA 50131
TELEPHONE (515) 251-8520
FAX (515) 251-3177
CPAs@POLLARDCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Monroe

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Monroe, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Monroe's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Monroe as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our reports as dated below on our consideration of the City of Monroe's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison information are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Monroe's basic financial statements. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such

information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

October 29, 2010

Pollard and Company P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Monroe provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

2010 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased \$234,759 from fiscal 2009 to 2010.

Disbursements of the City's governmental activities increased \$181,012 in fiscal 2010 from fiscal 2009.

Public Safety disbursements decreased \$3,454, while Public Works disbursements increased \$57,467.

The City's total receipts for governmental activities were \$1,490,705 for June 30, 2010 compared to \$ 1,255,946 from June 30, 2009

Total business type activities receipts for the fiscal year 2010 were \$388,678 compared to \$394,998 in fiscal year 2009. Total disbursements for the fiscal year 2010 were \$562,686 compared to \$306,558 from fiscal year 2009.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements as well as other requirements as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the government's financial activities.

The Government-wide Financial Statements consist of a Statement of Activities and Changes in Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles (GAAP). The City does not report capital assets or depreciation on its assets as would be required by GAAP. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of a cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks and sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. They focus on how money flows into and out of those funds and the balances at year-end that are available for spending. Governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Employee Benefits, Road Use Tax, Local Option Sales Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent Fund. The government fund statements provide a detailed short-term view of the City's general government operation and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains two Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliation between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve overtime as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

Receipts

FY2010

Program Receipts

Charges for Services	\$ 167,215
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General Receipts

Property Tax	357,377
Tax Increment Financing	279,239
Local Option Sales Tax	130,518
Licenses & Permits	5,777
Use of Money & Property	5,722
Intergovernmental	264,708
Interfund Loan	70,000
Miscellaneous	<u>210,149</u>

Total receipts	\$ 1,490,705
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Disbursements

Description

FY2010

Public Safety	\$ 316,296
Public Works	349,083
Health and social services	800
Culture and recreation	107,836
Community and economic development	9,211
General government	82,046
Debt Service	414,848
Capital projects	172,295

Total disbursements	\$ 1,452,415
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Cash basis net assets beginning of year	\$ 643,224
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Cash basis net assets end of year	\$ 681,514
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Changes in Cash Basis Net Assets of Business Type Activities

Receipts:

Program receipts:

Charges for service:

FY2010

Water	\$ 209,937
Sewer	<u>178,741</u>
Total receipts	\$ 388,678

Disbursements:

Water	\$ 273,349
Sewer	145,093
Interfund Loan	70,000
Capital Projects	21,550
Debt Service	<u>52,694</u>

Total disbursements \$ 562,686

Cash basis net assets beginning of year \$ 314,123

Cash basis net assets end of year \$ 214,360

Increase/(Decrease) in cash balance \$ (99,763)

Total business type activities receipts for the fiscal year 2010 were \$388,678 compared to \$394,998 in fiscal year 2009. Total disbursements for the fiscal year 2010 were \$562,686 compared to \$306,558 from fiscal year 2009.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Monroe completed the year, its governmental funds reported a combined fund balance of \$681,514, an increase of \$38,290 from last year's total of \$643,224. The following are major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased due to disbursements for the City's governmental functions decreasing to not exceed property tax and other receipts. The City also recouped over \$20,000 in cable franchise fees. General Fund balance will need to rise as the City faces important updates to several of the City's governmental activities (public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects). Property tax and grants finance most of these activities

The Road Use Tax Fund receipts increased by \$9,807 to \$159,816 during the fiscal year. The City used this money to upgrade the condition of the city roads and transportation systems.

Land was donated to the City of Monroe to establish the City's newest park, Monroe Recreation Park. Volunteers and a newly assembled Recreation Park Board of Directors have been developing the property since 2007 to have four ball fields, soccer fields, and future play areas, picnic sites, and shelter house. The committees talk of one day adding a fifth ball field, spray-park, and possibly a fishing pond.

The 2010 Water Main Project fund was established in the current fiscal year to account for a major water project within the City.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopted its budget in March 2010, following required public notice. The City amended its budget in May 2010 to provide for financing and disbursements for capital projects and debt service.

DEBT ADMINISTRATION

As of June 30, 2010 the City had \$825,000 in general obligation bonds compared to \$1,185,000 at June 30, 2009. The City had revenue bonds balance totaling \$479,731 at June 30, 2010 as compared to \$513,448 at June 30, 2009. With the 2010 Water Main project, general obligation bonds will increase for fiscal year 2011.

The Constitution of the State of Iowa limits the amount of the general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$825,000 is significantly below the constitutional debt limit of \$3,739,858. Although the city's general obligation bonds are counted in the constitutional debt limit, they are all paid by tax increment funds as well as Local Option Tax funds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

It is becoming increasingly difficult to maintain the current tax rate. The state roll back of taxable valuation on residential property continues to erode the tax base. Fortunately the City has seen an increase in properties, but with the added houses, there is also an increase in costs of operation. Fifty percent of the local option tax, effective July 1, 2010, will be used for property tax relief.

Costs are increasing for Public Safety. Training is a very important tool for the Police and Fire Department, and comes at a cost. Up-to-date equipment is critical for Police, Fire, and Rescue. All new hires or volunteers must have physicals before they can be hired or volunteer for the City. The City has upgraded the Ambulance Driver to Paramedic status and that requires extra training, equipment, and supplies for the ambulance. The department has two ambulances to furnish with equipment.

Dated water and sewer lines and treatment plants need to be addressed for Public Works water and sewer departments. The City replaced water mains with 2006 water main project and will again with the 2010 water main project slated to replace over 13,000 linear feet of water main. In addition, the State is planning to impose new standards on water quality that will result in upgrades for Monroe's east and west lagoon systems. Although, the upgrades may not have to be done immediately, the City must begin planning for the improvements. The City of Monroe plans to use fifty percent of Local Option Tax funds to begin replacing and upgrading water and sewer lines in the city.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have a question about this report or need additional financial information, contact: Sandy Breckenridge, City Administrator, 206 W Sherman, Box 370, Monroe, IA 50170.

City of Monroe, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2010

Functions/Programs	Program Receipts			
	Disbursements	Charges for Services	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental Activities				
Public safety	\$ 316,296	\$ 83,576	\$ 100	\$
Public works	349,083	108,954	167,713	
Health and social services	800			
Culture and recreation	107,836	5,140	6,298	
Community and economic development	9,211		30,840	
General government	82,046	5,777		
Debt service	414,848			
Capital projects	172,295			165,869
Total governmental activities	1,452,415	203,447	204,951	165,869
Business type activities				
Water	273,349	209,210		
Sewer	145,092	178,490		
Total business type activities	418,441	387,700		
Total	\$ 1,870,856	\$ 591,147	\$ 204,951	\$ 165,869
General Receipts				
Property tax levied for				
General purposes				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Miscellaneous				
Interfund Loan				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash basis net assets				
Restricted				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

There were no reconciling items between the Governmental and Fiduciary Fund Statements of Cash Receipts, Disbursements and Changes in Cash Balances and the above Statement. See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash
Basis Net Assets

Governmental Activities	Business Type Activities	Total
\$ (232,620)	\$	\$ (232,620)
(72,416)		(72,416)
(800)		(800)
(96,398)		(96,398)
21,629		21,629
(76,269)		(76,269)
(414,848)		(414,848)
(6,426)		(6,426)
(878,148)		(878,148)

	(64,139)	(64,139)
	33,398	33,398
	(30,741)	(30,741)
\$ (878,148)	\$ (30,741)	\$ (908,889)

357,377		357,377
279,239		279,239
130,518		130,518
5,414	953	6,367
73,890	25	73,915
70,000	(70,000)	
916,438	(69,022)	847,416

38,290	(99,763)	(61,473)
643,224	314,123	957,347
\$ 681,514	\$ 214,360	\$ 895,874

\$ (40,354)	\$	\$ (40,354)
41,012		41,012
92,062	16,177	108,239
465,532		465,532
123,262	198,183	321,445
\$ 681,514	\$ 214,360	\$ 895,874

City of Monroe, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2010

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts				
Property Taxes	\$ 277,607	\$	\$	\$
Other City Tax	29,610		279,239	130,518
Licenses and Permits	5,777			
Use of Money and Property	5,518			
Intergovernmental	36,445	159,816		
Charges for Services	164,183			
Miscellaneous	39,604			
Total Receipts	558,744	159,816	279,239	130,518
Disbursements				
Operating				
Public Safety	284,832			
Public Works	91,921	235,883		
Health and Social Services	800			
Culture and Recreation	101,610			
Community and Economic Development	3,233			
General Government	73,952			
Debt Service				
Capital Projects				
Total Disbursements	556,348	235,883		
Excess (deficiency) of receipts over (under) disbursements	2,396	(76,067)	279,239	130,518
Other financing sources (uses)				
Interfund Loan			70,000	
Operating transfers in	83,352			
Operating transfers out		(84,560)	(337,620)	(193,498)
Total other financing sources (uses)	83,352	(84,560)	(267,620)	(193,498)
Net change in cash balances	85,748	(160,627)	11,619	(62,980)
Cash balance (deficit) - beginning of year	37,514	120,273	29,393	122,980
Cash balance (deficit) - end of year	\$ 123,262	\$ (40,354)	\$ 41,012	\$ 60,000
Cash basis fund balances (deficit)				
Unreserved				
Debt service	\$	\$	\$	\$
General fund	123,262			
Special revenue funds		(40,354)	41,012	60,000
Capital projects fund				
Permanent fund				
Total cash basis fund balances	\$ 123,262	\$ (40,354)	\$ 41,012	\$ 60,000

The accompanying notes to financial statements are an integral part of this statement.

Capital Projects					
Employee Benefits	Cemetery Perpetual Care	Debt Service	Recreation Complex	Other Nonmajor Governmental Funds	Total
\$ 66,368	\$	\$	\$	\$ 13,402	\$ 357,377
					439,367
					5,777
			204		5,722
				38,837	235,098
	3,032				167,215
4,676			165,869		210,149
71,044	3,032		166,073	52,239	1,420,705
31,267				197	316,296
16,087				5,192	349,083
					800
6,226					107,836
				5,978	9,211
7,694		400			82,046
		414,848			414,848
			98,675	73,620	172,295
61,274		415,248	98,675	84,987	1,452,415
9,770	3,032	(415,248)	67,398	(32,748)	(31,710)
					70,000
		458,706		73,620	615,678
					(615,678)
		458,706		73,620	70,000
9,770	3,032	43,458	67,398	40,872	38,290
27,010	109,476	48,604	104,598	43,376	643,224
\$ 36,780	\$ 112,508	\$ 92,062	\$ 171,996	\$ 84,248	\$ 681,514
\$	\$	\$ 92,062	\$	\$	92,062
					123,262
36,780				1,973	99,411
			171,996	82,275	254,271
	112,508				112,508
\$ 36,780	\$ 112,508	\$ 92,062	\$ 171,996	\$ 84,248	\$ 681,514

City of Monroe, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2010

	Water	Sewer	Total
Operating receipts			
Charges for service	\$ 209,210	\$ 178,490	\$ 387,700
Miscellaneous	25		25
Total operating receipts	<u>209,235</u>	<u>178,490</u>	<u>387,725</u>
Operating disbursements			
Business type activities	<u>231,876</u>	<u>112,321</u>	<u>344,197</u>
Excess of operating receipts over operating disbursements	<u>(22,641)</u>	<u>66,169</u>	<u>43,528</u>
Non-operating receipts (disbursements)			
Interest on Investments	702	251	953
Interfund Loan		(70,000)	(70,000)
Capital Projects	(21,550)		(21,550)
Debt Service	(19,923)	(32,771)	(52,694)
Total non-operating receipts (disbursements)	<u>(40,771)</u>	<u>(102,520)</u>	<u>(143,291)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(63,412)</u>	<u>(36,351)</u>	<u>(99,763)</u>
Cash balances - beginning of year	107,540	206,583	314,123
Cash balances - end of year	<u>\$ 44,128</u>	<u>\$ 170,232</u>	<u>\$ 214,360</u>
Cash basis fund balances			
Reserved for debt service	\$ 16,177	\$	\$ 16,177
Unreserved	27,951	170,232	198,183
Total cash basis fund balances	<u>\$ 44,128</u>	<u>\$ 170,232</u>	<u>\$ 214,360</u>

The accompanying notes to financial statements are an integral part of this statement.

City of Monroe, Iowa
Notes To Financial Statements
June 30, 2010

1/ Summary of Significant Accounting Policies

The City of Monroe is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administrative services.

A. Reporting Entity

For financial reporting purposes, the City of Monroe has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing board and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City, but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by participating governments. City officials are members of the following boards and commissions: Jasper County Assessor's Conference Board, the Jasper County E-911 Joint Service Board, the Marion County E-911 and the Jasper County Emergency Management Commission..

The City also participates in the Jasper County Economic Development, the Monroe Community Development, the Safety Coalition of Central Iowa Cities Shared Services, and the Jasper County Animal Rescue League, jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Local Option Sales Tax Fund is used to account for the collection and expenditure of local option sales taxes.

The Employee Benefits Fund is used to account for the tax levy and the disbursement of benefits.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Project Recreation Complex Fund is utilized to account for all resources used in the acquisition and construction of the recreation complex

The Cemetery Perpetual Care Fund is used to account for the monies reserved to defray the costs of operating the City's cemetery.

The City reports the following major proprietary funds:

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Water Fund accounts for the operation and maintenance of the City's water system.

C. Measurement Focus and Basis of Accounting

The City of Monroe maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development and debt service functions.

2/ Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts, and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$225,618 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

Interest Rate Risk – the City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but maturities shall be consistent with the needs and use of the City.

3/ Bonds and Notes Payable

Annual debt service requirements for general obligation notes and revenue bonds are as follows:

Year Ending June 30,	General Obligation Bonds		Sewer Revenue Bonds		Water Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 165,000	\$ 38,537	\$ 20,000	\$ 11,911	\$ 14,134	\$ 6,082	\$ 199,134	\$ 56,530
2012	140,000	31,175	21,000	11,051	14,564	5,658	175,564	47,884
2013	140,000	24,513	22,000	10,148	15,007	5,221	177,007	39,882
2014	110,000	17,850	23,000	9,202	15,464	4,771	148,464	31,823
2015	110,000	12,650	24,000	8,213	15,934	4,307	149,934	25,170
2016-2022	160,000	9,700	136,000	24,725	87,241	14,066	383,241	48,491
2023-2027	-	-	31,000	1,333	40,387	1,901	71,387	3,234
Total	\$ 825,000	\$ 134,425	\$ 277,000	\$ 76,583	\$ 202,731	\$ 42,006	\$ 1,304,731	\$ 253,014

Water Revenue Note-

The City has pledged future water customer receipts to repay a \$300,000 water revenue note issued in July, 2002 to the Central Iowa Water Association for the water connection fee. The total principal and interest payments to be paid on the note is \$ 244,737 and payable through 2023. For the current year, principal and interest paid was \$19,923.

Sewer Revenue Bonds-

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$ 520,000 of sewer revenue bonds issued in July 2001. Proceeds from the bonds provided financing for the construction of improvements to the sewage treatment system. The bonds are payable solely from the sewer customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 50 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$353,583. For the current year, principal and interest paid and total customer net receipts were \$32,771 and \$66,169, respectively.

The resolution providing for the issuance of the sewer revenue bonds include the following provisions.

- The bonds will only be redeemed from the future earnings of the sewer activity and the bond holders hold a lien on the future earnings of the sewer fund.
- Sufficient monthly transfers shall be made to a separate revenue bond sinking account for the purpose of making the next bond principal and interest payments.

The City has established the sinking funds required by the above resolutions.

4/ Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2010, was \$26,784, which is equal to the required contribution for that year.

5/ Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours and sick leave for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for these earned termination payments payable to employees at June 30, 2010, primarily relating to the General Fund, is \$32,000.

This liability has been computed based on rates of pay as of June 30, 2010.

6/ Risk Management

- a) The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current member's basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Monroe's annual contributions to the Pool for the year ended June 30, 2010 were \$25,259.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the members' risk-sharing certificate or in the event a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

- b) The City is a member of the Iowa Municipalities Workers' Compensation Association (IMWCA) which provides workers' compensation coverage to its members. The Association is governed by a board of directors elected by representatives of the governing bodies of each participating governmental jurisdictions. The City has executed a Worker's Compensation coverage agreement with the Association which extends through June 30, 2010 and has authorized the Association to issue general obligation bonds to provide funds with which to pay claims. During the year ended June 30, 2010, the City paid worker's compensation insurance premiums of \$8,448 to the Association.

7/ Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

	Transfer To				
	General	Water Treatment	Water Main	Debt Service	Total
Transfer from					
Urban Renewal Tax Increment	\$ -	\$ 13,000	\$ 60,620	\$ 264,000	\$ 337,620
Local Option Sales Tax	83,352	-	-	110,146	193,498
Road Use Tax	-	-	-	84,560	84,560
	<u>\$ 83,352</u>	<u>\$ 13,000</u>	<u>\$ 60,620</u>	<u>\$ 458,706</u>	<u>\$ 615,678</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

8/ Interfund Loan and Tax Increment Financing

The City has established two urban renewal districts and made arrangements with the county and the school, in accordance with Chapter 403.19 of the Code of Iowa, to divide the increase in taxes, as a result of the incremental property tax valuation in those districts. The taxes so collected are paid into the City's Special Revenue Fund and are expended for project costs or debt service associated with the projects affecting the districts. In November, 2009, the Sewer Fund advanced \$70,000 to the Special Revenue Fund to pay for water and sewer improvements in an urban renewal district. The advance will be repaid from the tax increment revenues subject to annual appropriation by the City Council.

9/ Deficit Fund Balances

The Road Use Tax, Meadows and Housing Grant Funds had deficit balances of \$40,354, \$164 and \$5,700, respectively. The deficits were a result of project expenditures being made ahead of receipts. Subsequent receipts or transfers will eliminate the deficits.

10/ Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that effect the reported amounts and disclosure of liabilities, contingent liabilities, and commitments at the date of the financial statements, and the classification of receipts and disbursements during the reporting period. Actual results could differ from the estimates that were used.

11/ Construction Commitments

The City has committed to the construction of water mains totaling approximately \$1,020,000 and \$80,000 for lighting at the recreation complex. In July 2010, the City issued \$2,060,000 in a general obligation bond to fund the project and refund all outstanding general obligation debt.

12/ Other Postemployment Benefits (OPEB)

During the year ended June 30, 2010, the City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pension.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 6 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Principal Life Insurance Company. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employee, in that same age category.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The premiums under the plan are age based on the employee or retiree's age. For the year ended June 30, 2010, the City contributed \$19,728 and plan members eligible for benefits contributed \$2,683 to the plan.

13/ Landfill Closure and Postclosure Care

The City has entered into an agreement with several other municipalities, as allowed under Code of Iowa Section 28E, to provide for economical and environmentally responsible disposal of solid waste and establish permanent environmental responsibility for the Newton Sanitary Landfill. State and federal laws and regulations

require the Newton Sanitary Landfill to place a final cover on the site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To date, 29% of the landfill has been filled and the estimated liability for closure and postclosure costs for such is \$4,744,200, based on 2010 cost estimates. Actual costs may be higher due to inflation, technology changes, and changes in regulations. In addition, no estimate has been made for the closure and postclosure costs for the remaining acreage which has not been filled.

As specified in the 28E agreement, the City is responsible for 2.48% or approximately \$118,000 of the total landfill closure and postclosure costs. The City's proportionate share is updated annually in accordance with the agreement.

City of Monroe, Iowa
 Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds Actual	Enterprise Funds Actual	Net
Receipts			
Property Taxes	\$ 357,377	\$	\$ 357,377
Tax increment financing collections	279,239		279,239
Other city tax	160,128		160,128
Licenses and permits	5,777		5,777
Use of money and property	5,722	953	6,675
Intergovernmental	235,098		235,098
Charges for Service	167,215	387,700	554,915
Miscellaneous	210,149	25	210,174
Total Receipts	<u>1,420,705</u>	<u>388,678</u>	<u>\$ 1,809,383</u>
Disbursements			
Public safety	316,296		316,296
Public works	349,083		349,083
Health and social services	800		800
Culture and recreation	107,836		107,836
Community and economic development	9,211		9,211
General government	82,046		82,046
Debt service	414,848		414,848
Capital projects	172,295		172,295
Business type activities		418,441	418,441
Total Disbursements	<u>1,452,415</u>	<u>418,441</u>	<u>1,870,856</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(31,710)</u>	<u>(29,763)</u>	<u>(61,473)</u>
Other financing sources, net	<u>70,000</u>	<u>(70,000)</u>	
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>38,290</u>	<u>(99,763)</u>	<u>(61,473)</u>
Balance - beginning of year	643,224	314,123	957,347
Balance - end of year	<u>\$ 681,514</u>	<u>\$ 214,360</u>	<u>\$ 895,874</u>

See accompanying independent auditors' report.

Budgeted Amounts		
Original	Final	Final to Net Variance
\$ 344,968	\$ 344,968	\$ 12,409
307,075	307,075	(27,836)
145,702	152,236	7,892
8,025	8,025	(2,248)
12,800	12,800	(6,125)
184,300	223,036	12,062
524,200	524,200	30,715
82,250	82,250	127,924
1,609,320	1,654,590	154,793
295,660	368,110	51,814
431,285	506,192	157,109
800	800	
206,100	212,980	105,144
4,000	4,000	(5,211)
92,650	108,104	26,058
313,755	313,755	(101,093)
	223,857	51,562
415,475	507,915	89,474
1,759,725	2,245,713	374,857
(150,405)	(591,123)	529,650
	1,200,000	1,200,000
(150,405)	608,877	(670,350)
724,256	724,256	233,091
\$ 573,851	\$ 1,333,133	\$ (437,259)

City of Monroe, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$485,988. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in Community and Economic Development and Debt Service functions.

City of Monroe, Iowa
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2010

	Special Revenue		Capital Projects		
	I-JOBS	FEMA	Housing Grant	Meadows	Capital Improvement
Receipts					
Property tax	\$	\$	\$	\$	\$ 13,402
Intergovernmental	7,897	100	30,840		
Total Receipts	7,897	100	30,840		13,402
Disbursements					
Operating					
Public safety		197			
Public works	5,192				
Community and economic development			5,978		
Capital projects					
Total Disbursements	5,192	197	5,978		
Excess (deficiency) of receipts over disbursements	2,705	(97)	24,862		13,402
Other financing uses					
Operating transfers in					
Net change in cash balances	2,705	(97)	24,862		13,402
Cash balance (deficit) - beginning of year		5,065	(30,562)	(164)	69,037
Cash balance (deficit) - end of year	\$ 2,705	\$ 4,968	\$ (5,700)	\$ (164)	\$ 82,439
Cash basis fund balances					
Unreserved					
Special revenue	\$ 2,705	\$ 4,968	\$ (5,700)	\$	
Capital project fund				(164)	82,439
Total cash basis fund balances	\$ 2,705	\$ 4,968	\$ (5,700)	\$ (164)	\$ 82,439

See accompanying independent auditors' report.

Capital Projects			
Water Main	Water Treatment	Total	
\$	\$	\$	13,402
			38,837
			52,239
			197
			5,192
			5,978
60,620	13,000		73,620
60,620	13,000		84,987
(60,620)	(13,000)		(32,748)
60,620	13,000		73,620
			40,872
			43,376
		\$	84,248
\$	\$	\$	1,973
			82,275
		\$	84,248

City of Monroe, Iowa
Schedule of Indebtedness
For the year ended June 30, 2010

	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds			
General Obligation Water/Sewer	August 28, 2006	4.50%	\$ 400,000
2000 General Obligation Water/Sewer	June 1, 2000	4.75 - 5.3%	900,000
General Obligation Recreation Park and Sewer	December 24, 2007	4.50%	500,000
General Obligation Street Improvement	July 10, 2006	5.75%	200,000
Malone Development	March 6, 2003	4.875%	300,000
General Obligation Street Improvement	October 24, 2005	5.50%	250,000
General Obligation Street Improvement	October 24, 2005	4.50%	200,000
Revenue Bonds			
Sewer Revenue Bonds	July 9, 2001	4.30%	520,000
Water Revenue Note	July 1, 2002	3.00%	300,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 280,000	\$	\$ 40,000	\$240,000	\$ 12,600
90,000		90,000		4,770
400,000		50,000	350,000	18,219
140,000		20,000	120,000	8,050
120,000		30,000	90,000	3,162
75,000		50,000	25,000	3,487
80,000		80,000		4,560
<hr/>				
\$ 1,185,000		\$ 360,000	\$ 825,000	\$ 54,848
<hr/>				
\$ 297,000		\$ 20,000	\$ 277,000	\$ 12,771
216,448		13,717	202,731	6,206
<hr/>				
\$ 513,448		\$ 33,717	\$ 479,731	\$ 18,977
<hr/>				

City of Monroe, Iowa
Bond and Note Maturities
June 30, 2010

General Obligation Water/Sewer			General Obligation Recreation Park and Sewer			General Obligation Street Improvement	
Issued August 28, 2006			Issued December 24, 2007			Issued July 10, 2006	
Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Interest Rates (%)	Amount	
2011	4.50	\$ 40,000	4.50	\$ 50,000	5.75	\$ 20,000	
2012	4.50	40,000	4.50	50,000	5.75	20,000	
2013	4.50	40,000	4.50	50,000	5.75	20,000	
2014	4.50	40,000	4.50	50,000	5.75	20,000	
2015	4.50	40,000	4.50	50,000	5.75	20,000	
2016	4.50	40,000	4.50	50,000	5.75	20,000	
2013			4.50	50,000			
Totals		<u>\$ 240,000</u>		<u>\$ 350,000</u>		<u>\$ 120,000</u>	

Malone Development			General Obligation Street Improvement		
Issued March 6, 2003			Issued October 24, 2005		
Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Total
2011	4.875	\$ 30,000	5.50	\$ 25,000	\$ 165,000
2012	4.875	30,000			140,000
2013	4.875	30,000			140,000
2014					110,000
2015					110,000
2016					110,000
2013					50,000
Totals		<u>\$ 90,000</u>		<u>\$ 25,000</u>	<u>\$ 825,000</u>

Sewer Revenue Bonds			Water Revenue Note		
Issued July 9, 2001			Issued July 1, 2002		
Year Ending June 30,	Interest Rates (%)	Amount	Interest Rates (%)	Amount	Total
2011	4.30	20,000	3.00	14,134	34,134
2012	4.30	21,000	3.00	14,564	35,564
2013	4.30	22,000	3.00	15,007	37,007
2014	4.30	23,000	3.00	15,464	38,464
2015	4.30	24,000	3.00	15,934	39,934
2016	4.30	25,000	3.00	16,419	41,419
2017	4.30	26,000	3.00	16,918	42,918
2018	4.30	27,000	3.00	17,432	44,432
2019	4.30	28,000	3.00	17,963	45,963
2020	4.30	30,000	3.00	18,509	48,509
2021	4.30	31,000	3.00	19,072	50,072
2022			3.00	19,652	19,652
2023			3.00	1,663	1,663
Totals		<u>\$ 277,000</u>		<u>\$ 202,731</u>	<u>\$ 479,731</u>

POLLARD AND COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JAMES R. ZIRCHER, CPA
NEAL R. SMITH, CPA
DEBRA J. NABITY, CPA

5650 JOHNSTON DRIVE, SUITE A
P.O. BOX 1098
JOHNSTON, IOWA 50131
TELEPHONE (515) 251-8520
FAX (515) 251-3177
CPAs@POLLARDCPA.COM

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PRIVATE COMPANIES PRACTICE SECTION
IOWA SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of The City of Monroe, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon as dated below. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The City of Monroe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, we identified a deficiency in internal control over financial reporting, described in Part 1 of the accompanying Schedule of Findings, that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Monroe's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Monroe's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Monroe and other parties to whom the City of Monroe may report. This report is not intended to be and should not be used by anyone other than these specified parties.

October 29, 2010

Pollard and Company P.C.

CITY OF MONROE, IOWA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2010

PART I: Findings Related to the Financial Statements

REPORTABLE CONDITIONS

I-A-10 Segregation of Duties

One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that generally one person has control over each of the following areas:

- 1) Opening mail, collecting at City Hall, listing cash receipts, posting to computer, bank deposits, and bank account reconciliations.
- 2) Payroll preparation, posting to computer and distribution.

Recommendation

We realize that with a limited number of office employees, segregation of duties is difficult. The City should continue to review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response

We will continue to review the internal control procedures and segregate duties to the extent possible.

Conclusion

Response accepted.

PART II Other Findings Related to Statutory Reporting

II-A-10 Certified Budget

Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the Community and Economic Development, and Debt Service functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation

The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response

The budget will be amended in the future, if applicable.

Conclusion

Response accepted.

II-B-10 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment expenses that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-10 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 Business Transactions

There were no business transactions between the City and City officials or employees during the year.

II-E-10 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions.

II-F-10 Council Minutes

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-10 Deposits and Investments

No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-10 Retention of Electronic Records

The City receives and retains an electronic copy of the canceled checks, but the electronic image does not include the back of the checks as required by Section 540D.114 of the Code of Iowa.

Recommendation

The City should retain electronic images of the back of the canceled checks in accordance with Section 554D.114 of the Code of Iowa.

Response

We will contact the bank and discuss the matter with them.

Conclusion

Response accepted

II-J-07 Financial Condition

The Road Use Tax, Meadows, and Housing Grant Funds had deficit balances at June 30, 2010 of \$40,354, \$164, and \$5,700, respectively.

Recommendation

The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response

Note 8 of the financial statements indicates the City's plans to eliminate the deficits.

Conclusion

Response accepted.

II-K-10 Public Hearing for Installment Purchase Agreement

The City did not hold a public hearing before entering into an installment purchase agreement as required by Section 364.4 of the Code of Iowa.

Recommendation

Prior to entering into any installment purchase agreement, the City should hold a public hearing as required by Chapter 364.4 of the Code of Iowa.

Response

The City will hold a public hearing as required.

Conclusion

Response accepted.